[1]**[Annexure B**

FIT AND PROPER CRITERIA

[see regulation 4(e)]

FIT AND PROPER CRITERIA FOR APPLICANT, SPONSORS, DIRECTORS AND SENIOR MANAGEMENT OFFICERS OF SECURITIES BROKERS

This Fit and Proper Criteria is perpetual in nature and its compliance is mandatory.

All persons subject to Fit and Proper Criteria must submit any change in the submitted information, including financial soundness to the company secretary of the securities broker within three business days and the securities broker shall within a period of seven business days report the same to the securities exchange and the Commission.

In addition to the applicant and the sponsors of the applicant, eligibility of any person desiring to act as a director on the board of directors or senior management officer of a securities broker shall be judged on the basis of following criteria, which in the case of directors, shall be in addition to meeting requirements of the Companies Act, 2017 relating to eligibility of a director:

(a) Financial Soundness and Integrity

(i) The person should not have been adjudged as an insolvent or he should not have suspended payment of debts or compounded liabilities with its/his creditors.

(ii) The person should not have been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a financial institution including banking company, a Development Financial Institution or a Non- Banking Financial Company.

(iii) The person and companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc., has/have no overdue payment to any customer, financial institution, securities exchange, clearing house, central depository and / or defaulted in payment of any taxes in the individual capacity or as a proprietary concern or any partnership firm or as director in any private unlisted and listed company.

[135][*Explanation:* In case of overdue payment to any financial institution, CIB reports from the State Bank of Pakistan shall be examined and if there is any overdue/past due payment to a financial institution, irrespective of amount, in overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where such person is a chief executive, director (other than nominee director), owner or partner or sponsor etc., such person shall not be considered fit and proper person except:

(a) in case where such overdue amount is under litigation and the same is also appearing as amount under litigation in CIB report; or

[135] Substituted for the text "Explanation: In case of overdue payment to any financial institution, CIB reports from the State Bank of Pakistan shall be examined and if there is any overdue/past due payment to a financial institution, irrespective of amount, in overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where such person is a chief executive, director (other than nominee director), owner or partner etc., such person shall not be considered fit and proper person except:
(a)in case where such overdue amount is under litigation and the same is also appearing as amount under litigation in CIB report; or
(b)No overdue payment is appearing in the overdue column in the subsequent latest CIB report.
In case of overdue amount in CIB report, no rejection shall be made unless the person has been provided an opportunity of making a representation before the Commission." Vide SRO 1333(I)/2019 dated November 6, 2019

(b) No overdue payment is appearing in the overdue column in the subsequent latest CIB report; or

(c) such person provides the documentary evidence of having no directorship in companies, firms, sole proprietorship etc., other than brokerage house, showing overdue status in their CIB reports.

In case of overdue amount in CIB report, no rejection shall be made unless the person has been provided an opportunity of making a representation before the Commission.]

(iv) The person should not have been a director and/or chief executive of any company or body corporate which has defaulted in payment of Government duties/taxes/cess or has misused customer securities.

(v) The person should be a tax payer and his name should be borne on the Active Tax Payers List regularly published by Federal Board of Revenue.

Provided that this requirement shall not be applicable in the case of foreign nationals.

(b) Educational or other Qualification or Experience

(1) In case of directors, at least one director should have:

i) membership of a recognized body of professional accountants; or a CFA degree; or a graduate degree in finance, accountancy, business management, commerce, economics, law, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
ii) have an experience of at least five years in activities relating to capital market, specifically securities brokerage business.
iii) have attained necessary certification as specified by the Commission from time to time.

(2) In case of chief executive officer, the person should:

a) be a member of a recognized body of professional accountants or possess a post-graduate degree in finance, accountancy, business management, commerce, economics, law, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
b)have a minimum experience of seven years in a senior management position, preferably in the regulated financial services sector.
c) have attained necessary certification as specified by the Commission from time to time.

(3) In case of compliance officer, the person should

a) be a member of a recognized body of professional accountants, or possess a graduate degree in finance, accountancy, business management, commerce, economics, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
b) have a minimum experience of three years in audit, finance or compliance functions or any other managerial position in a company in the financial sector.

Provided that for all of the above persons, where a person possesses seven years of relevant experience of the capital markets, the minimum qualification requirement shall be relaxed.

(4) The directors and senior management officers must be fully conversant with the duties of director or senior management officer, as the case may be, as specified under the statutes, rules and regulations, memorandum and articles of association and the Corporate Governance Code.

(5) The sponsors of the securities broker have sound track record [136][ ].

(c) Competency

(i) Membership or licence of the person or any company in which the person was a director during the last three years has not been suspended/cancelled by the Commission, any other regulatory authority, any professional body, association or relevant entity e.g. the securities exchange, central depository or clearing house.

Provided that eligibility of a person may be considered on the basis of prior clearance obtained from any such organization that suspended/ cancelled the membership or licence.

(ii) No proceedings are pending with respect to the applicant's winding up, insolvency or analogous relief.

(iii) The person should not have been disqualified/ removed from the post of a key executive position of a company by the Commission or any other regulatory authority.

(d) Integrity, Honesty and Reputation

(i) The person should not have been convicted in any criminal offence or involved in any fraud/forgery, financial crime etc. in Pakistan or elsewhere, or is not being subject to any pending proceeding leading to such a conviction and/ or it has not been concluded by any regulatory authority that the person has been associated with any unauthorized financial activity including illegal brokerage business.

(ii) No investigation/enquiry/inspection, conducted under Section 139 of the Securities Act, 2015, Section 83 of the Futures Market Act, 2016, Section 29 of the Securities and Exchange Commission of Pakistan Act, 1997, Section 21 of the Securities and Exchange Ordinance, 1969, Section 256 or Section 257 of the Companies Act, 2017, has been concluded against the person by the Commission with material adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial matters/business, misconduct, fraud, formation or management of a corporate body etc. by any regulatory authorities (within or outside Pakistan), professional bodies or government bodies/agencies.

(iii) The person has not defaulted on settlement of a customer complaint where such complaint has been adjudicated by the Commission or the securities exchange.

(iv) An order restraining, prohibiting or debarring the sponsors, director or senior

[136] Deleted the text "and at least one of the sponsors has extensive experience of providing financial services in any regulated market within or outside Pakistan" vide SRO 556(1)/2021 dated April 29, 2021

management officer of the securities broker from dealing in securities and/or future contracts based on securities in the capital market or from accessing the capital market has not been passed; or penalty of Rs.500,000/- or more has not been imposed on such persons by the Commission in the last three years, in respect of any laws administered by the Commission.

Provided that a person may be considered eligible in case a period of at least three years from the date of expiry of the period specified in the order for which such person has been restrained/prohibited/debarred has elapsed.

(v) The sponsors, director or senior management officer of the securities broker should not have been penalized for provided false or misleading information either to the Commission or to any of the regulatory body, securities exchange, central depository or a clearing house during the past three years.

(vi) The person should not have been actively involved in the management of a company whose registration or licence has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to financial irregularities or malpractices.

(vii) The person must not be ineligible, under the Companies Act, 2017 or any other legislation from acting as a director.

(viii) The person should not have entered into a plea bargain arrangement with the National Accountability Bureau [137][:

Provided that individuals subject to fit and proper criteria shall provide an affidavit stating that no investigation is initiated by any Law Enforcement Agency (LEA) against such person and in case of any investigation has been initiated, the fact must be disclosed.

Provided further that in case of any investigation initiated by LEAS against CEO or any director of the subject company, the board of directors of the company shall decide whether to retain such CEO or director and record reasons in writing for the same.]

[138][In case of any ambiguity in determination of fitness and propriety of a person in terms of this criteria, the decision of the Commission shall be final and binding upon the securities broker.]

Information to be provided by individual sponsors, directors and senior management officers of the ___(name of securities broker)__

1.	Curriculum Vitae/Resume containing:
(a)	Name:
(b)	Father's or Husband Name:
(c)	C.N.I.C # (attach copy)
(d)	Latest photograph
(e)	Nationality:
(f)	Age:
(g)	Contact details:

[137] Substituted for the full stop (.) vide SRO 556(1)/2021 dated April 29, 2021

[138] Inserted Vide SRO 1333(I)/2019 dated November 6, 2019

	i) Residential address:
	ii) Business address:
	iii) Tel:
	iv) Mobile:
	v) Fax:
	vi) E-mail:
(h)	National Tax Number:
(i)	Present occupation:
(j)	Qualification(s):
	i) Academic:
	ii) Professional:
(k)	Experience: (Positions held during the last 10 years along with name and address of company/ institution) Information to be provided on the following sample format*:

Sr#	Name of Organization	Designation	Period
1	Company A		DD/MM/YY - DD/MM/YY
2	Company B		DD/MM/YY - DD/MM/YY

2. 1. Nature of directorship:

a) Executive b) Non-executive

2. Status of directorship:

a) Nominee director b) Elected director c) Independent director

Number of shares subscribed or held _____

Nominated by (name of shareholder/ nominating entity)

3. Names of companies, firms and other organizations of which the person is presently a director, partner, office holder or major shareholder (Information to be provided on the follo wing sample format*)

Sr. #	Name of Organization	Designation	Period
1	Company A		DD/MM/YY - DD/MM/YY
2	Company B		DD/MM/YY - DD/MM/YY

4. Names of any persons on the board of the (name of securities broker) who are related to the applicant.

Signature _____

*use additional sheets if required]